



OHIO
UNIVERSITY

Office of the President

OFFICE OF
INSPECTOR GENERAL

2018 NOV 23 AM 11:52

Cutler Hall
1 Ohio University
Athens OH 45701-2979

November 19, 2018

Randall J. Meyer, Ohio Inspector General
State of Ohio
Office of the Inspector General
Rhodes State Tower
30 East Broad Street, Suite 2940
Columbus, OH 43215-3414

RE: Report of Investigation No. 2015-CA00016

Dear Inspector General Meyer:

Attached is the response of Ohio University to the recommendations made by your office in the above-listed Report. We are also responding to the recommendations in your September 18, 2018 cover letter.

The response reflects university business practices currently in effect. As you noted in the Report, some changes were made in 2017 as the result of information gained during your investigation. It is our goal to continue to strengthen our policies and procedures to ensure that university resources are properly used to benefit the university community and the citizens of the State of Ohio.

Recommendations in Report of Investigation No. 2015-CA00016

Contracts and Leases

1. Consider the benefits of requiring vendors entering in contracts or leases with the university to disclose existing and ongoing relationships with the university. For those identified, it is recommended that the university implement policies and procedures to document the review of this relationship and the determination of whether an actual or appearance of conflict of interest exists.

RESPONSE:

University processes are designed to avoid actual, or the appearance of, conflicts by ensuring that a firewall exists between our fundraising and our procurement activities. Our procurement activities (vendor contract, leases,

etc.) are designed such that decisions are based on business requirements and unrelated to, and not biased by, relationships (donor or other) with our vendors. The professionals within these groups are specifically trained (and as a part of this process our General Counsel's Office has provided additional refresher training) regarding the importance of this firewall in our operations and decision processes. The University will continue to review our processes to minimize the risk of or avoid conflicts of interest.

2. Consider documenting the results of the analysis performed to verify the monthly lease payments or purchase price is reasonable and any other factors which were considered while deciding whether the lease should be entered or a purchase is made.

RESPONSE:

Prior to entering into a lease agreement, an analysis is completed that assesses whether it is more advantageous for the University to lease or purchase and determine that the lease payment is reasonable. The analysis includes the use of information from active real estate listings and industry real estate surveys. The analysis also includes consultation with other University departments to ensure there are no other space options on campus that meets the business need. Results should be documented and saved as part of the real estate transaction/project documentation and we have added an internal review to our audit process to ensure that we are consistently following this practice.

3. Consider for future lease agreements including an early termination option involving real estate transactions.

RESPONSE:

It is currently University practice for contracts to include language that allows the University to terminate the agreement with a period of notice. Additionally we are reviewing all renewals and amendments to add this clause if possible.

Accounting

4. Consider implementing policies and procedures and providing training to employees responsible for approving and processing payments associated with lease agreements or contracts to ensure that:
 - a. the invoices and supporting documentation comply to the terms of the lease agreement or contract;
 - b. the invoices are printed on letterhead of the supplier providing the service;

- c. the invoices do not include, when applicable, sales taxes and ensure all suppliers are provided with the university's tax-exempt certificate; and
- d. the goods or services listed on the invoices are verified received and were not included in a previous invoice.

RESPONSE:

In fiscal year 2018, Ohio University implemented a new chart of accounts. As part of that effort, and built into the initial design in 2016, financial approvers were designated. Financial approvers are assigned by the planning unit Chief Financial and Administrative Officer (CFAO) for each unit. CFAO's are responsible for ensuring that their assigned financial approvers are cognizant of and trained on all relevant university policies and procedure and, therefore are positioned to approve financial transactions for their respective organizations. Financial approvers are attached to the departmental organization segment of the chart of accounts. This alignment ensures that financial approvers assigned to the organization incurring the charge:

- Are aware of the details of the transaction;
- can reasonably determine if the charges are allowable, appropriate, and in compliance with the terms and conditions of the agreement for the goods and/or services being purchased, and
- can validate that the documentation attached is sufficient to justify the transaction charged.

Ohio University also began a comprehensive training program in fiscal year 2018 (FY18) that supports the roles and responsibilities of campus customers and financial approvers. Several sources were rolled out in FY18 to educate both users and financial approvers. In addition, a University professional development program is under development that includes content that will provide additional in depth training to support and educate campus users and financial approvers. Modules of this training are being deployed in the current fiscal year (2019).

Real Estate Department

5. Work with the lessor (Whartons) to determine who is the responsible party for each of the expenses identified in this report as duplicate charges; expenses determined to not be the university's responsibility; for services not rendered at the time of payment; lacking supporting documentation; and performed and not billed to the university.

RESPONSE:

The University General Counsel has contacted Mr. Wharton's attorney and the Office of the Ohio Attorney General to follow-up on this recommendation.

6. Consider the benefits of implementing policies and procedures to be used when selecting a realtor to provide real estate services for the acquisition or disposal of university or foundation properties.

RESPONSE:

Ohio University policy requires that competitive bidding occur if the cumulative spend will exceed \$50,000 per vendor in a fiscal year. All University departments follow this policy when a need for goods or services has been identified. In addition, the University has an extensive list of preferred suppliers that departments can purchase goods or services from that have been selected through a competitive process in accordance with University policy and procedure.

Donations, Gifts, and Pledges

7. Consider implementing policies and procedures and providing training to employees responsible for creating, updating, and reviewing donor contact reports and accepting in-kind gifts to ensure that:

- a. University employees enter donor contact information into the Division of University Advancement computer systems in accordance with the specified level of detail required by management;

RESPONSE:

University Advancement will refine donor contact report processes, policies, and training materials and will provide ongoing training for development officers, all Advancement staff, and for interested partners across the Ohio University community. These training materials will be designed to reinforce existing internal Advancement processes (<https://www.ohio.edu/advancement/resources/>) and University policies related to fundraising, gift acceptance, and record keeping [<https://www.ohio.edu/policy/37-001.html> (fundraising) and <https://www.ohio.edu/policy/37-030.html> (information)]. The training materials also will include templates for contact reports.

- b. A review process has been implemented to ensure the information entered is reasonable, accurate, and in a timely manner; and

RESPONSE:

University Advancement will reinforce the timely donor contact report requirement in the processes, policies, and training materials described above.

- c. Address the receipting of, valuing of, notifying of, and the recording of in-kind gifts by the Division of University Advancement that a college, unit, or department has received an in-kind gift.

RESPONSE:

University Advancement will develop and provide gift acceptance training materials as well as annual training for all Advancement staff— and interested partners across the Ohio University. These training materials will be designed to reinforce existing internal Advancement processes (<https://www.ohio.edu/advancement/resources/>) and University policies related to fundraising, gift acceptance, and record keeping [<https://www.ohio.edu/policy/37-001.html> (fundraising) and <https://www.ohio.edu/policy/37-030.html> (information)]. The training materials also will include a primer on the use of The Ohio University Foundation's existing gift documentation forms and templates for the recording of gifts in kind.

Recommendations in the September 18, 2018 Inspector General Cover Letter

Accounting Control Considerations

1. Consider implementing policies and procedures for the university department, office, college or unit to document services to be provided by third-party vendors, the hourly rates, and the types of documentation to be maintained supporting the requests for services.

RESPONSE:

The University provides job aids related to acceptable forms of substantiation required for various transaction types on the Finance website and includes checklists and a listing of required documentation for certain transaction types.

With the introduction of financial approvers last fiscal year (2018), each transaction is reviewed and approved by a unit financial approver responsible for verifying that expense transactions are allowable, appropriate and properly documented at the time of approval. If adequate documentation is not provided, a financial approver is responsible for obtaining the necessary documents to give assurance that the charge is reasonable and appropriate.

2. Consider requiring supporting documentation for reimbursement or payment requests which supports that the requestor had incurred and/or paid the expense prior to requesting payment from the university, to minimize the likelihood of the university paying for services not rendered or goods not provided.

RESPONSE:

Supporting document is required for all payments made by the University. Most purchases are paid against a Purchase Order (PO) without an approved invoice submitted by a financial approver. For payments that are

by Payment Request Form (no PO required), an itemized invoice or other form of allowable substantiation (as described above) is required, along with approval from a financial approver. If payment is made against a purchasing card, an itemized invoice is required, along with approval from a financial approver.

Services are not allowable on purchasing cards. Services must be made against an approved PO or against a Short Form Services Agreement (for a limited number of services) and an approved invoice is required for payment. No payments are made against statements from a vendor.

With our new financial approval workflow, all payments must first be approved by the departmental financial approver.

3. Consider the benefit of implementing data inquiries within Bobcat Buy allowing a user to search purchase orders, requisitions, and invoices using either the current or previous vendor name to ensure all available data is provided for the search parameters.

RESPONSE:

This functionality already exists in Bobcat Buy (BCB), the University's e-procurement system, and has been standard functionality since the implementation of BCB. Users have the ability to search within the BCB application based on the following criteria:

- contract
- document
- invoice
- purchase order
- change request
- form request
- receipt number
- requisition
- supplier/vendor name (or a portion of the vendor name)

There is also an advanced search function available that allows the user to search based on user defined criteria. Finally, the standard training program for BCB includes how to use the search features within BCB.

4. Consider the benefit of developing and implementing written policies or procedures detailing the instances in which a requisition or invoice should be expedited for payment to avoid the scenario where every requisition becomes an emergency.

REPSONSE:

University standard payment terms are net 30 unless other terms have been negotiated as part of a contract agreement with a vendor. Any payments that are put through as a rush request are evaluated by Accounts Payable to determine if a rush payment must occur. If a rush request payment is requested that is less than net 30, this must be reviewed, approved and documented by the Director of Payments.

5. Consider implementing written policies and procedures to address who is required to complete the required approvals when an approver is absent, which would prohibit an employee from completing multiple levels of approval.

RESPONSE:

Authorized financial approvers are maintained in the Financial Approver & Reporting Metadata (FARM) system. Financial approvers are set up and maintained by a planning unit's Chief Financial and Administrative Officer (CFAO). Any proxy or delegate within FARM is assigned by the CFAO for all authorized financial approvers. FARM allows for multiple authorized financial approvers (at various levels) so that backup is automatically built into the approver structure when an authorized approver is unavailable or absent. This information is maintained in real time and updates are processed daily.

6. Consider the benefit of implementing a system notifying the purchaser when there are insufficient funds remaining on a purchase order to issue payment, an incorrect account string, or other additional issues as identified by the university to allow for timely changes and to reduce the likelihood of a significant delay in paying the invoice.

RESPONSE:

The following processes prevent delay in payment to a vendor and have been implemented since at least 2016:

- Supplier invoices are to be sent directly to Accounts Payable for entry into BobcatBUY for approval by a financial approver;
- Financial approvers are tracked in FARM thereby greatly minimizing payment delays due to an authorized approver being unavailable;
- When insufficient funds are available on a purchase order, the Purchasing department contacts the PO originator and a change order must be submitted in BobcatBUY before any payment is made;
- With the implementation of the new chart of accounts in FY2018, account validation happens at the time of entry, whether it be on a requisition for purchase order, Payment Request Form, or updating the costing on a purchasing card transaction, thus preventing invalid cost strings from being entered into the accounting system;
- Finance uses a ticketing system to track and follow up on vendor or departmental payment questions;

- Workflow visibility in systems allow campus users to easily track the status of a transaction from request through payment;
- Finance has an escalation process in place for questions regarding payment to ensure that payments are made in a timely manner and in accordance with University payment terms.

Pledges, Gifts and Donations

7. Consider modifying the existing donor contact reports to reflect the activity date and the date the activity was entered into the donor contact report to allow management to determine whether an employee is recording the contacts with donors in a timely manner and in accordance with established university policies and procedures.

RESPONSE:

University Advancement will review the donor contact report system to ensure that the date of entry is recorded and easily determined.

8. Consider updating existing university policies and procedures to provide guidance on how to document the date of an event, a description of the event, and the date entered into the donor contact report when adding additional events or information to an existing donor contact report. The university should also define in what instances a new donor contact report should be created, instead of adding new information to an existing donor contact report.

RESPONSE:

As described above, University Advancement will refine donor contact report processes, policies, and training materials and will provide ongoing training to reinforce contact and event report requirements.

9. Consider developing and implementing guidelines identifying when and the type of information to be recorded for club and event activities within the Office of University Advancement computer systems to ensure reporting consistency and that the necessary information is entered.

RESPONSE:

As described above, University Advancement will refine donor contact report processes, policies, and training materials and will provide ongoing training to reinforce contact and event report requirements.

10. Consider developing and implementing written policies and procedures which identify when notification is required to be sent to a donor prior to the release of their giving history or other information maintained by the Ohio University Foundation.

RESPONSE:

The Ohio Supreme Court has ruled that names of donors and amounts contributed are public records. When we receive requests for the names of large numbers of donors it is not feasible to give individual notice of the request. If a public records request focuses on an individual or a small number of donors, it is our practice to notify them of the request.

Thank you for the opportunity to respond to your recommendations. We will be happy to provide any additional information you may require.

Respectfully,

A handwritten signature in black ink, appearing to read "M. Duane Nellis". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping tail.

M. Duane Nellis
President